



CITY OF DURHAM | NORTH CAROLINA

MEMORANDUM

Date: December 18, 2010

TO: Thomas J. Bonfield, City Manager

THROUGH: Keith Chadwell, Deputy City Manager

FROM: Kevin Dick, Director, Office of Economic and Workforce Development
Christopher Dickey, Senior Manager - Economic Development
Peter Coyle, Cultural and Business Initiatives Coordinator

SUBJECT: Public Hearing per G.S. 158-7.1 to Receive Comments on Economic Development Grant Incentive and approval of a Building Improvement Grant for TND Capital Management, LLC

Executive Summary

This item recommends the approval a Building Improvement Grant (BIG) for TND Capital Management, LLC.

Recommendation

The Office of Economic and Workforce Development (OEWD) recommends that the City Council hold a public hearing on the proposed economic development incentive agreement per G.S. 158-7.1, and (2) Authorize the City Manager to execute a contract with TND Capital Management, LLC in the amount of \$75,000.00 for a building renovation project at 624 Foster Street, Durham NC 27701.

Background

On May 17, 2010, the City Council approved an economic incentive policy, which included among its grant programs, the Building Improvement Grant (BIG) program designed to encourage and provide financial assistance for building improvements to small businesses located Downtown and in Community Development Areas. Grants are to be used to upgrade and revitalize commercial buildings and, in doing so, to enhance these areas of the community, attract additional investment and assist in overall economic improvement in the City. BIGs are designed for building owners and can have a maximum amount of \$75,000.00.

On October 12, 2010, OEWD announced the availability of Building Improvement Grants with an application deadline of November 12. Five applications were received by that date. One application was later found not to qualify for technical reasons regarding ownership of the property in question.

A committee reviewed each of four BIG proposals provided to them. The committee included representatives of the Office of the City Manager, the Office of Equal Opportunity and Equity Assurance, the Office of Housing and Community Development, Self Help Credit Union, and Good Work. After analyzing all responsive grant applications, the committee recommended the following allocations be distributed among the following proposals. The list shows total project costs as well as those costs which are eligible for reimbursement under the grant.

	Total Project	Proposed Grant
TND Capital Management, LLC	\$ 228,172	\$ 75,000
Empire Alliance, LLC	\$ 986,500	\$ 75,000
Parrish Street Venture (Partnership)	<u>\$ 469,298</u>	<u>\$ 75,000</u>
TOTAL	\$1,683,970	\$225,000

A Building Improvement Grant to TND Capital Management, LLC would improve the appearance of downtown and advance the City's goal for the development of Downtown as a food and entertainment district, while creating jobs in the Downtown district. The project will renovate a currently vacant building in the Central Park area to make it rental ready for Magnetic Wheels Enterprises, Inc. to operate a restaurant to be called Geer Street Garden.

Issues and Analysis

A major priority of the City of Durham is increasing and strengthening the economic stability of the City. Staff endorses the funding recommendations of the committee which would serve to promote the continued revitalization and vitality of downtown Durham and its surrounding neighborhoods. The proposed project will produce \$153,172.00 in private investment with a \$75,000.00 BIG for a total project cost of \$228,172.00, producing a 2/1 ratio of private to public funding for this project, with additional investment by Magnetic Wheels Enterprises, Inc. which will operate a restaurant on the premises.

Increased capital expenditures by small retail businesses on items that are non-removable real property or personal property will add to tax values in the City. Visible improvements to these business properties also will act as catalysts for additional investment, and added tax base, by others. The Building Improvement Grant program was created to serve and encourage this type of private investment. It is supported by the RKG Neighborhood Assessment Plan of March 2006, the Updated Downtown Master Plan of January 2008, and the City Center Market Retail District Study of January 2010.

The committee members are satisfied that there is a reasonable likelihood for business success for this project. While there is no guarantee that any individual small startup business will survive in the current economic climate, capital improvements to the building will raise the assessed value for tax purposes even if the currently projected business tenant closes or moves to other locations over time. The renovated spaces still would offer high quality business locations for future tenants.

Alternatives

The City Council may reject the recommendation to approve the funding or may choose to award a grant for a different amount. Not funding the project would undermine the ability of the Department to carry out the objectives of the Economic Development Financial Assistance and Incentive Policy program and objectives of downtown retail development. The applicant's project will have a positive effect on the appearance and business climate of the affected location.

Financial Impact

FY 2010/11 funding for this project comes from the Downtown Fund Org Code 15107010 and Object Code 728700

SDBE Summary

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBE's are involved in this item.

Attachments:

- Building Improvement Contract for TND Capital Management, LLC.
- TND Capital Management, LLC Building Improvement Grant Application